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C O N F I D E N T I A L SECTION 01 OF 04 BRASILIA 002245

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SUBJECT: BRAZIL PRESIDENTIAL ELECTION: A FEW OBSERVATIONS
ON FOREIGN POLICY AS A LONG CAMPAIGN WINDS DOWN

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Classified By: POLITICAL COUNSELOR DENNIS HEARNE. REASONS: 1.4 (B)(D).

11. (C) Summary. Brazilian voters go to the polls on 29 October to select either incumbent Lula da Silva (Workers Party - PT) or challenger Geraldo Alckmin (Social Democratic Party - PSDB) for their president, with current polls indicating a wide lead for Lula. As in past national campaigns, foreign affairs have not been a major issue, but as this year's presidential campaign winds down, we offer herewith some observations on comparative foreign policy perspectives of the candidates, based on the televised debates, media articles, and conversations with knowledgeable insiders, especially in the opposition Social Democratic Party (PSDB). Throughout the campaign, Lula da Silva has clearly reiterated his government's commitment to a foreign policy that stresses regional integration and south-south ties, even as PSDB challenger Geraldo Alckmin has repeatedly criticized Lula for sacrificing Brazilian interests in the name of ideological priorities, and emphasized the importance of relations with the developed world, especially the United States. It clearly appears an Alckmin foreign policy would be distinctly more traditional and U.S.-oriented. While we may be able to develop specific areas of enhanced bilateral cooperation in a second Lula mandate -- e.g., on bio-fuels policy, business and investment, and programs for Brazil's poor northeast -- we can see no compelling current indication that Lula's policy would shift dramatically in a different direction in a second term. End summary.

12. (SBU) In all three televised campaign debates this month, PSDB challenger Geraldo Alckmin has aggressively criticized Lula's foreign policy, citing its failures in producing a permanent seat for Brazil in the UNSC or leadership spots in

other international organizations, its weak response to Bolivia's nationalization of Petrobras assets, the decision to declare China a market economy and the subsequent flooding of Brazil's market with finished Chinese goods that compete with Brazilian products, and the south-south orientation that has placed priority on partnering with developing nations at the expense of traditional relations with the U.S. and EU. In that sense, Alckmin and the PSDB echo the critical views that have taken hold throughout much of Brazil's educated classes and are reflected widely in the media. Clearly, an Alckmin government would immediately seek to distance itself from Lula's foreign policy, in substance and in form.

¶3. (C) The PSDB has a deep bench of foreign policy experts -- former Foreign Minister Celso Laffer, former ambassadors Rubens Barbosa and Sergio Amaral; even the PSDB's Senate Leader, Arthur Virgilio, is a diplomat. They have advised Alckmin and published op-ed columns throughout the campaign. All view Lula's foreign policy as a fiasco, an ideologically-driven, strategically unsound and incompetently managed enterprise that has damaged national interests and yielded few successes. In recent conversations with the Ambassador, Amaral offered a concise critique of Lula's policy, while Barbosa outlined likely Alckmin positions in both a recent op-ed column and a private meeting with the Ambassador earlier in the month.

SERGIO AMARAL

¶4. (C) Retired diplomat Sergio Amaral, who held senior positions in the Fernando Henrique Cardoso (FHC) government and is the odds-on favorite to be Foreign Minister if Alckmin is elected, discussed foreign affairs with Ambassador on 16 October in Sao Paulo. Amaral noted the stark difference between the foreign policy visions of Alckmin and Lula. Brazil's foreign policy has historically been bipartisan, but the Lula administration has been implementing a Workers Party (PT) foreign policy. Brazil under FHC played a

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moderating role in South America, said Amaral, but Lula's active, militant foreign policy is choosing sides between two currents. It is supporting Chavez, Morales, and Kirchner. The foreign policy also has a third-world flavor, as evidenced by the opening of so many embassies in Africa.

¶5. (C) Amaral noted that he didn't know whether Celso Amorim would continue as Foreign Minister if Lula is re-elected. Foreign policy advisor Marco Aurelio Garcia would like the job, but his name would probably not be well received. Regardless, he will retain a strong position in defining foreign policy. The ideological, leftist foreign policy is designed to counter-balance the government's more orthodox economic policy and appease the left wing of the PT. It has led to bad policies, such as Brazil's agreeing to Venezuela's entry into Mercosul. It is behind the GoB's unwillingness to move forward on FTAA. Foreign Ministry (MRE) Secretary-General Samuel Pinheiro Guimaraes has always opposed FTAA, and Lula himself has complained that the negotiation is one-sided and dominated by the U.S. The GoB's unwillingness to accept FTAA has the symbolic value of placing it in opposition to the United States and standing up for the less powerful.

¶6. C) However, Amaral said, despite a great deal of rhetoric, Lula and his foreign policy team have achieved no results. Brazil does not have a single meaningful bilateral trade agreement, largely because Amorim has little or no experience in bilateral negotiations. As a result, Brazil is losing its influence in South America, which is increasingly fragmented. Amaral had originally expected Lula to move towards a more centrist foreign policy in a second term, but there had been so much polarization in the campaign that this now appears unlikely. Lula will be looking to protect his legacy as a defender of the poor, and a leftist foreign policy will be part of that effort.

¶7. (C) Unlike his foreign policy team, however, Lula himself is more pragmatic than ideological because of his years as a union leader negotiating deals. Amaral urged the Ambassador to continue to engage him, using trade and investment as a building block. Instead of pushing or pressuring him, which would likely be counter-productive, the U.S. should put Lula and his foreign policy team on the spot, asking what they want, and see what the response is and what kind of dialogue it provokes.

RUBENS BARBOSA

¶8. (U) In a widely-published op-ed column on 10 October, former Brazilian Ambassador to the U.S. and PSDB advisor Rubens Barbosa outlined some basic tendencies of foreign policy in an Alckmin presidency:

¶9. (U) Foreign policy would return to its natural role, seeking to be consensual and non-partisan, Barbosa wrote. In Alckmin government, foreign policy would be treated as a policy of the state, within both medium and long term perspectives, in which the national interest is above visions that are ideological or passing governments.

¶10. (U) Barbosa wrote that an Alckmin foreign policy would continue a strong regional focus, based on reciprocal interests, and integration, but with an emphasis on national interests, without ideology. Alckmin would also seek to again intensify relations with the most dynamic centers of the global economy and re-establish as a priority relations with developed nations.

¶11. (C) Barbosa,s published views on the general principles of an Alckmin foreign policy track closely with his comments

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to Ambassador Sobel in their meeting in Sao Paulo earlier in October. On more specific points, Barbosa made these additional observations to Ambassador:

--South-South relations: Alckmin would not repudiate this outright, but would return central focus to relations with the U.S., EU, Japan and other developed partners.

--U.S.-Brazil relations: These would return to the forefront of foreign policy, and Alckmin would look at intensified cooperation in bio-fuels, defense, and other areas identified already by the two governments for working group activities.

--Free Trade: Alckmin could re-engage on this, but in an approach that resembles the "FTAA-light" model, not a more comprehensive NAFTA-type accord. On Doha, Alckmin would not be constrained by the G-20 and will look first and foremost to defending Brazilian national interests.

--Chavez: There would be no relationship beyond formalities and necessity, as Alckmin has no interest in doing anything with Chavez. Alckmin takes a dim view of Chavez,s participation in Mercosul, and Barbosa noted, with no further comments, that Venezuelan full membership is still pending formal approval in Brazil,s congress. Similarly, Alckmin has no interest in close relations with Castro, and would take only a correct diplomatic approach to Cuba.

--Bolivia: Alckmin would take a harder line with Morales on Petrobras and Brazilian equities in Bolivia, but Barbosa did not elaborate.

ADDITIONAL VIEWS

¶12. (C) In a 19 October private meeting with Ambassador and PolCouns, Senator Tasso Jereissati, PSDB national president, and Senator Arthur Virgilio, PSDB leader in the Senate, both expressed concern that Lula's rhetoric may turn toward populism in a second term, and this will be true in foreign

relations as well. Jereissati said the likely state of legislative gridlock in domestic politics in a Lula second term and continued trouble with corruption allegations will lead Lula down a populist track. In foreign affairs, that could mean rhetorical distancing from the U.S. in trade issues and other foreign policy questions, though Jereissati opined Lula will try to retain amiable contact with the USG "behind closed doors." In the context of a weak political situation overall, Lula could use leftist-populist rhetoric on foreign affairs, Jereissati said, as a means to shore up his fragile support on the far left.

¶13. (C) Comment: In recent days, as polls have indicated a widening lead for Lula over Alckmin, a tantalizing article in respected daily newspaper "Valor Economico" reported that Lula government insiders were promising a tilt back toward stronger relations with the U.S., and away from south-south priorities, in a Lula second term. On the evidence we see, that appears to be a planted canard intended to ameliorate Alckmin's incisive attacks on Lula's foreign policy, not a harbinger of a real change. During the television debates, Lula defended his foreign policy vision, with no hint of a shift in direction. At the top of the powerful Foreign Ministry, Foreign Minister Celso Amorim -- Lula's obedient servant -- and Secretary General Samuel Pinheiro Guimaraes -- a leftist ideologue viewed widely as an anti-American quack even by many in his institution -- are both intent on staying in their positions in a second term, according to our high-level sources in their personal staffs. And we see no evidence of a waning in the influence over Lula of Marco Aurelio Garcia, Lula's foreign policy advisor and decidedly a leftist in his orientation. We do think the GOB

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will focus on some specific and promising areas for increased cooperation with us -- notably in bio-fuels policy, as Amorim has stated to the Ambassador, and as we have reported in septels. Working with the GOB on enhancing business and investment, and on development programs for Brazil's impoverished northeast also offer some potential for enhancing bilateral cooperation. We also are not persuaded at present that Lula's rhetoric on international issues will head down the negative populist path that Jereissati foresees -- we believe Lula prizes his self-image as influential regional moderate, and we should encourage him in that role. But, overall, we have to anticipate more of the same in Lula's foreign policy in terms of its essentially south-south orientation, come the second term that looks likely now, three days away from the election. A real sea change, with the tide flowing in our direction, would require an Alckmin victory -- a long shot, at this point.

¶14. (U) AmConGen Sao Paulo contributed to this cable.

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